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BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE

JUN 08 2004

Dept. Of Commerce & Insurance  
Company Examinations

IN THE MATTER OF:

CONSUMERS INSURANCE USA, INC.,

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)  
)

No.: 04-048

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ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

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Pursuant to Tenn. Code Ann. § 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of Consumer Insurance USA, Inc. (hereinafter also referred to as the "Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31<sup>st</sup> day of December, 2002, the examiner-in-charge filed with the Division, on the 29<sup>th</sup> day of April, 2004, a verified, written report on examination, and a copy of that report has been sent to Consumers Insurance USA, Inc. (The Report on Examination of Consumers Insurance USA, Inc., is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the company on May 20, 2004. (A true and exact copy of the rebuttal to the examination report of Consumers Insurance USA, Inc. is attached hereto and marked as Exhibit B.)

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of Consumers Insurance USA, Inc., filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 29<sup>th</sup> day of April, 2004, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by preparing its financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual.

2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-411(b)(1) and Tenn. Code Ann. § 56-2-104(a)(5) by maintaining all original signed applications for insurance at its office to maintain control over such documents.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Consumers Insurance USA, Inc. for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

**ENTERED** this the 4th day of June, 2004.

Paula A. Flowers  
Paula A. Flowers, Commissioner  
Department of Commerce and Insurance  
State of Tennessee

**PREPARED FOR ENTRY:**

Eric J. Stansell

Eric J. Stansell (BPR# 021707)

Staff Attorney

Tennessee Department of Commerce and Insurance

500 James Robertson Parkway

Davy Crockett Tower, Fifth Floor

Nashville, Tennessee 37243

(615) 741-2199

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Consumers Insurance USA, Inc., P.O. Box 700, Murfreesboro, Tennessee 37133-0700, on this the 8<sup>th</sup> day of June, 2004.

Eric J. Stansell

Eric J. Stansell

Certifying Attorney

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May 13, 2004

Mr. Don Spann, CFE  
State of Tennessee  
Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, TN 37243

**RE: Financial Condition Examination of Consumers Insurance USA, Inc.  
Made as of December 31, 2002**

Dear Mr. Spann:

In reference to the comments made in the examination mentioned above, all six comments have been complied with as noted in the examination report.

Additionally, concerning the first recommendation, all footnotes have been corrected and strict attention will be given to all future footnotes to make sure we are in compliance with Tennessee Code Annotated §56-1-501(g) when completing the annual statement.

Regarding the second recommendation, we have researched what the industry practice is for companies that transact business over the internet. These companies require their agents to keep copies of the original signed application on file at the agent's office. Random audits are performed to determine agency compliance with this guideline. Consumers feels that stricter policing of our agents regarding signed applications on file and more compliance education with the agents will put us on the same footing as the other companies. If we have to require agents to fax/mail copies of signed applications to us this will present a major competitive hurdle for Consumers and will affect our ability to write new business in the future. The random audit procedure seems to work well for our competitors and we would like to be afforded the same opportunity that they are afforded.

Respectfully submitted,

William J. Wheeler  
President  
Consumers Insurance USA, Inc.

Cc: Dennis W. Kunkel, CFO

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Financial Services Division